SUN·MAID

The World's Favorite Raisin.

Sun-Maid Growers of California
13525 South Bethel Avenue
Kingsburg, CA 93631-9232
Ph. 559/896-8000 • Fax: 559/897-2362
E-mail: smaid@sunmaid.com

April 23, 2003

RECEIVED 4/23/03

Administrator
Agricultural Marketing Service
USDA Mail Stop 0201
1400 Independence Ave. SW
Washington, DC 20250-0201

Re: Proposed Amendments for
Federal Raisin Marketing Order
AMS No. 045-03

Dear Administrator:

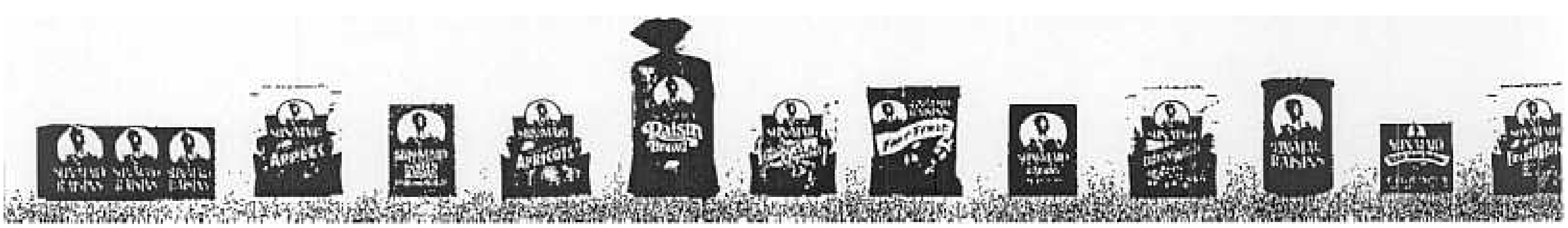
Sun-Maid Growers of California is an agricultural marketing cooperative comprised of approximately 1,000 members who are raisin growers. We are a grower-owned organization which is authorized under our bylaws and marketing agreements to represent our raisin grower members in conjunction with the Federal Marketing Order for California raisins 7 C.F.R. Part 989. Our members and our non-member raisin deliveries (acquisitions) represent approximately one-third of the California raisin industry.

In response to your invitation (AMS No. 045-03) to receive proposed amendments to the federal marketing order for raisins, we submit the following:

1) <u>REDUCED COST FOR RAISIN DIVERSION PROGRAM PRORATA PARTICIPATION</u>

Last fall, the California raisin industry made serious and significant efforts to establish a "prorata" raisin diversion program which would allow producers to participate by paying a reduced "harvest cost" - - a "cost" that approximated the receiving, handling, storage and administrative cost of carrying the reserve tonnage.

Much of this effort resulted in the Department adopting certain provisions contained in the Interim Final Rule published January 28, 2003 (Volume 68,



Number 18; pages 4079-4085) and provided for changes to allow prorata participation. If prorata participation is available, then producers could also be given the opportunity to participate by paying the equivalent of receiving, storage and handling costs approximating $50 per ton rather than harvest costs of $340 per ton.

This could be accomplished by adding language to 989.56 (a) as follows (or something similar):

> At the same time, the committee shall determine and announce to producers, handlers, and the cooperative bargaining association(s) the allowable harvest cost <u>(or in the case of a prorata diversion program such costs as the Committees deems appropriate, which may (but need not) be the costs for receiving, handling and storage, plus any appropriate administrative fee)</u> to be applicable to such diversion tonnage.

This concept was first submitted to the Department by Mr. Frank Diener by letter dated August 7, 2002; and responded to by the Deputy Administrator (both letters are attached). A similar proposal was submitted by adjusting the harvest cost downward by the RAC Executive Committee and its Chairman Richard Garabedian on November 26, 2002 (also attached).

2) <u>REDUCED HARVEST COST AND CREDITABLE FRUIT FOR RAISIN DIVERSION PROGRAM</u>

Under the current raisin diversion program, the participating grower pays harvest costs approximating $340 per ton and receives tonnage from the reserve pool equal to the prior year's production for the diverted parcel subject to a cap.

We recommend that the order be amended to provide for a reduced grower cost for the tonnage as described in #1 above and the grower would receive some fraction of the prior year's production (still subject to a cap) for the parcel (i.e., 90%, 85%) as determined by the Committee.

The reduced cost would make the program more attractive to the grower and by releasing only a fraction of the prior year's production the program would accomplish the goal of reducing the crop size in the second year. By properly managing the relationship of the reduced grower cost and the percentage of prior years production released the grower economics could be maintained at a level similar to today or adjusted as deemed appropriate by the Committee.

April 23, 2003

3) EARLY OR LATE SEASON "GREEN DROP" PROGRAM

The biggest problem for the California raisin industry has been the inability to control, or even predict, how many acres of raisin variety grapes will be crushed each year. This was a key reason for establishing the Federal Marketing Order in 1949, and it has plagued the industry every time the wine or juice market shifts utilization. No matter how many acres of raisin variety grapes are ever in the ground, this has been, and may always be a problem.

A modification to the Marketing Order could be to use R.A.C. funds to pay a grower a "green grape price" for grapes on the vine. If this was done at the beginning of the season, the grower could spur prune his vines and be paid based on last year's raisin production (converted to a green basis). For a late season program, the grower would leave the grapes on the vine and remove them at pruning time in the winter. Here are some possible examples of how many tons of raisins could be eliminated at different funding levels and prices for grapes on the vine:

1. **$10,000,0000 / $20 = 500,000 green tons**
4.5/1 dry ratio = 111,111 raisin tons

2. **$10,000,000 / $35 = 285,714 green tons**
4.5/1 dry ratio = 63,492 raisin tons

3. **$15,000,000 / $50 = 300,000 green tons**
4.5/1 dry ratio = 66,666 raisin tons

4. **$20,000,000 / $75 = 266,666 green tons**
4.5/1 dry ration = 59,259 raisin tons

The grower would receive a green price without having the excuse of harvest. This tool would be most effective when green grapes were in high excess supply - - which is when the industry could use this program the most.

This could be paid in reserve raisins like the RDP or in cash.

Some possible disadvantages for a person who subscribes to this program would be added stress to the vineyard requiring an extra irrigation and extra pruning costs due to the hanging fruit.

However, this program could be a valuable tool in managing the supply situation in the raisin industry. These numbers are only examples and will vary from year to year.

In terms of mechanics, the industry could solicit growers and create a list of interested growers by either a) announcing a green price, or announcing that the industry will use the average crush price for the season, and allocating the acres on a lottery basis; or b) asking growers to bid on participation. For a late season program independent estimators would estimate the amount of grape tonnage on the parcel at harvest time. Monies would be paid only after the industry has verified that the grapes were in fact left on the vine and that the vineyard was pruned and the grapes/raisins were dropped in the field.

The advantages of this program are:

- maximizes revenue to raisin variety grape producers, while eliminating costs
- manages the raisin crop production to balance with demand
- makes crop management decisions as late in the year as possible when real knowledge of the crop situation is known
- strengthens market demand for crushing raisin variety grapes.

4) IMPROVED TONNAGE VERIFICATION FOR RAISIN DIVERSION PROGRAMS

The raisin industry has been concerned for many years that the tonnages being applied for are not always 100% accurate for each production unit. This was one reason for establishing the 2.75 cap in 989.56(a).

Field observation during the harvesting and drying season is potentially less expensive and more accurate than ever before with the improvement of aerial photography, global positioning systems, hand held computers and digital cameras. The industry can now consider taking advantage of these new and improved technologies by making production estimates at the time of the baseline harvest and before a raisin diversion program is announced.

Possible amendments could be:

a) eliminate or increase the 2.75 production cap and/or
b) add additional authority in 989.56(e) to:

> "The Committee may require as a condition to participating in the Raisin Diversion Program that applicants have previously had their production verified at the time of harvest pursuant to such requirements as the Committee may establish, which may (or may not) include the payment of a reasonable fee (or fees) for such verification."

April 23, 2003

5) ELIMINATE THE RESERVE REQUIREMENT ON DIVERSION CERTIFICATES

Under the current program, the participating grower receives a certificate from the RAC that is delivered to a handler just as if it was field production. The tonnage "delivered" is still subject to the pooling provisions for the crop in the year the certificate is delivered. This causes tonnage to move from one reserve pool to the next.

We recommend that the program be modified to provide that the certificate issued to the grower is redeemed only for the free tonnage in the second year. The grower would only be paid for the free tonnage portion of the certificate and would not take a position in the reserve pool in the year of delivery. For development of the free tonnage percentages all of the tonnage on the certificate would be considered. Harvest costs would have to be adjusted appropriately. We believe this would:

a. Prevent reserve tonnage from being moved forward to the future year of certificate delivery. The tonnage would have to be dealt with in the initial pool.

b. Allow for more tonnage to be diverted in the field for the tonnage released from the reserve.

We hope that the Department will give these proposals the same serious consideration as any of those officially forwarded by the Raisin Administrative Committee itself.

Sincerely,

Barry F. Kriebel
President

BFK/mas
Attachments

Frank H. Diener
6475 N. Dower
Fresno, CA 93722

August 7, 2002

Dear Secretary of Agriculture:

I am writing this letter in regards to the U.S. raisin industry, which is in an extreme over production. It is already expected that in the year 2002 there will be a 50% to 55% over production of raisins. We, as growers are willing to reduce our production to help cure this major problem. If we could retrieve our over production tonnage we could use said tonnage for our 2003 crop and not produce a new 2003 crop thus eliminating much of the problem. But instead our leaders our looking for a way to dispose of our surplus raisins and grow new crops, which is worthless to us, the growers. If it were possible for us to retrieve our 2002 surplus raisin tonnage to use as our 2003 crop we could save hundreds of dollars per ton by not producing a 2003 crop. Not only would we save money but we would save precious water, use no fertilizer or insecticides, and with no cultivation we would create less dust. This program would be on a voluntary basis. A farmer could opt to produce a crop or to use the surplus. If one opted to produce a new crop each year they would then fall under the rules set forth by the Raisin Administration Committee. If a grower did not produce a 2003 crop and opted to use the surplus from 2002 there would be 100% free tonnage and the R.A.C rules would not apply.

Our leaders tell us that it would take 18 months to 2 years to get the U.S.D.A to let our marketing order and R.A.C change rules to allow a different system. We need change now. Our leaders and government say we are over producing but at the same time say we cannot eliminate a crop so that there would be no surplus. We say rules must be changed today to ensure our survival. Too many farmers are working everyday to see no profit just a loss. We have mouths to feed and need the change. The program, we are proposing would be financed by us, the growers. We are not asking for a government handout yet our government is dictating our destiny with the 18 month to 2 years before rules can be changed. With the present system a large number of us will be financially ruined in the lengthy period of time. We need change NOW!

We appreciate the government buying 20,000 tons of surplus raisins to help eliminate the huge surplus pile of raisins. In the end though there are tens of thousands of tons still in enormous warehouses from past years that our leaders are currently looking for a way to dispose of. It would be much wiser for us not to produce the 2003 crop and save huge sums of money, save water and eliminate the use of insecticides and fertilizers.

There are many factors to be worked out with this program, we've only highlighted this short description to hopefully get our point across. The present system we have seems not to be working as we are being paid below cost of production yet the surplus pile keeps growing. We, as growers believe we should have more control over our reserve raisins. So we ask now, please can't something be done to change the 18-month to 2 years time period that it takes to make the changes? We need a shorter time period and we need it now if our industry is to survive.

Thank you for your time,

Frank Diener
Raisin Grower

USDA

United States Department of Agriculture

Marketing and Regulatory Programs

Agricultural Marketing Service

Washington, DC 20250

Mr. Frank H. Diener
6475 N. Dower
Fresno, California 93722

Dear Mr. Diener:

This is in response to your July 26, 2002, letter to Secretary Ann Veneman regarding oversupply problems in the California raisin industry. I have been asked to reply on Secretary Veneman's behalf.

Your suggestion to correct the current oversupply problem is to allow growers, on a voluntary basis, to retrieve their 2002 over-production and use it as their 2003 crop. You believe this would alleviate the oversupply situation and allow participating growers to save 2003 cultivation expenses.

You said that the Raisin Administrative Committee (RAC) leadership believes your proposal falls outside the parameters of existing raisin marketing order program authorities, and that changes to accommodate your proposal would entail an amendatory process of 18 months to 2 years to complete. That amendatory process is necessarily deliberative and lengthy. It is intended to give all interested persons an opportunity to express their views, pro or con, on the proposed changes to the marketing order's authorities.

If the growers and handlers can be united on a proposal, the Department of Agriculture will take measures to expedite the process. I encourage you to work with your RAC representative and the RAC staff to develop a program that will bring consensus to the industry.

Thank you for your idea and your efforts to solve the industry's problems. We will work with growers and the RAC to the extent that the law allows.

Sincerely,

Robert C. Keeney
Deputy Administrator
Fruit and Vegetable Programs

Raisin Administrative Committee

3445 North First Street, Suite 101
P.O. Box 5217
Fresno, CA 93755

ADMINISTERING THE FEDERAL MARKETING AGREEMENT AND ORDER REGULATING THE HANDLING OF CALIFORNIA RAISINS

FAX: (559) 225-08
TELEPHONE: (559) 225-05
Email: info@raisins.o
World Wide Web: www.raisins.o

November 26, 2002

Mr. A.J. Yates
Administrator, Agricultural Marketing Service
U.S.D.A.
1400 Independence Avenue SW
Room 3071-S
Washington, DC 20250-0201

Dear Mr. Yates:

Thank you and the Department for your continued attention and support for the California raisin industry, the California Raisin Marketing Order, and the proposed changes the Raisin Administrative Committee wishes to implement in the Raisin Diversion Program (RDP) for the 2003 season.

The two issues that the Department has asked the Committee to review further are:

1. the 5 year condition on replanting raisin variety grapes,
2. the allowable harvest cost and its justification.

We were pleased to learn from AMS field staff that the first issue has been addressed to the satisfaction of the Department.

Regarding the second issue, as requested we have done additional review and analysis. Based on that review as described below, we believe that the facts and circumstances require a revision in the proposed allowable harvest cost applicable to the 2003 RDP.

When the Raisin Diversion Program was first promulgated in 1984 & 1985, virtually 100% of the California natural seedless production was of the Thompson variety grape. These grapes were typically harvested by terracing the soil of the vineyard, then labor intensive handpicking, laying the grapes on paper trays, turning these trays during raisin drying, rolling the paper trays, boxing the dried raisins, hauling to the handler, and often paying for crop insurance.

As you know, technological change and the dynamics of world competition are forcing the California raisin industry to change. The raisin industry has been widely recognized as being very labor intensive historically using 50,000 temporary farm workers at harvest. An evolution is occurring in the industry to reduce substantially the labor costs per ton. In addition to the breeding of new raisin grape varieties which mature earlier (thus being more suitable for drying on the vine), the industry, through the hard work and efforts of a number of growers working with farm extension researchers, have developed new trellis systems, and new mechanical harvesting techniques. These all work to substantially reduce harvest costs. The cost savings are so substantial that these new systems are compelling changes by the California raisin industry in growing and harvesting raisin variety grapes.

One specific harvesting technique that is available to essentially all Thompson grape growers who produce raisins was developed by William Peacock, University of California Cooperative Extension Farm Advisor for Viticulture in Tulare County. Industry estimates are that between 5,000 and 10,000 acres were harvested during the 2002 harvest using this technique. Other similar types of dried on vine production and harvesting techniques are being used on thousands of other California raisin acreage and the acreage using these techniques continues to expand significantly.

Below is a comparison of the 2002 RDP harvest cost and the 2003 RDP harvest cost which is recommended by the R.A.C. Executive Committee. You will note that the picking is by machine; there are no paper trays, and consequently no turning, rolling or terracing. With dried on the vine, growers do not believe it necessary to purchase crop insurance because the drying grapes are not as vulnerable to adverse rain during drying.

Vine Preparation and Harvest	2002 RDP Cost/Ton	Proposed 2003 RDP Cost/Acre	Proposed 2003 RDP Cost/Ton (2.2 Tons)
Picking*	$ 175.00	$ 200.00	$ 91.00
Turning	25.00	0.00	0.00
Rolling	25.00	0.00	0.00
Boxing*2	10.00	0.00	0.00
Paper Trays	25.00	0.00	0.00
Terracing	15.00	0.00	0.00
Hauling	5.00	-	5.00
Crop Insurance	60.00	0.00	0.00
Other (Cane Severance)	-	52.50	24.00
Total Harvest Costs	**$ 340.00**	**$ 252.50**	**$ 120.00**

* Hand picking for 2002, mechanical picking for 2003
*2 Boxing included in mechanical harvest costs

Consequently based on the foregoing, we are requesting the Department to approve an allowable harvest cost for the 2003 RDP of $120.00 per ton. Thank you for your consideration of this request.

Sincerely,

Richard Garabedian

Richard Garbedian
Chairman
Raisin Administrative Committee